

Comprehensive Annual Financial Report • HAMILTON COUNTY • Tennessee for the year ended June 30, 2000

# OFFICIAL SEAL

Comprehensive Annual Financial Report • HAMILTON COUNTY • Tennessee

for the year ended June 30, 2000

prepared by the Finance Division

Louis S. Wright, Administrator

Albert C. Kiser, Assistant Administrator



## OFFICE OF THE COUNTY EXECUTIVE 208 Courthouse Chattanooga, Tennessee 37402

December 1, 2000

To the Board of County Commissioners And Citizens of Hamilton County

As County Executive and Fiscal Agent, it is my duty to present Hamilton County's Annual Report for 2000. I am proud to report another year of solid progress for our county.

This year we acquired 940 acres at the Volunteer Army Ammunition Plant and we are proceeding with plans for the development of this large tract. Final plans have been made for the completion of the Riverwalk continuing from downtown Chattanooga and Coolidge Park to the Chickamauga Dam. As envisioned, the Riverpark joins neighborhoods to the central business district and provides an important asset to residents as well as tourists.

Hamilton County's bond rating was upgraded for the first time in more than 25 years. As a result, the county will save about \$280,000 over the 15-year life of the 2000 bond issue. This upgrade means county government can make improvements without having to raise taxes.

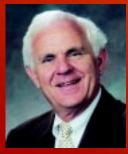
Hamilton County has issued \$105 million in bonds for public education facilities in the last three years. These funds cover construction and renovation of 26 schools.

The Hamilton County web page provides a wealth of information on everyday services available to county citizens. The address is **www.hamiltontn.gov**.

We deeply appreciate the county employees and citizens who have worked so hard to sustain the economic vigor and community spirit that is driving our progress. We will continue to pursue our goal of improving conditions countywide, while ignoring artificial boundaries that could separate us.

Sincerely





Harold L. Coker *Chairman* 



Bill Hullander Commissioner



Curtis D. Adams
Commissioner



Ben F. Miller Commissioner



Richard Casavani Commissioner



Charlotte Vandergriff Chairman, Pro Tempore



William R. Cotton Jr. Commissioner



Jim Vincent Commissioner



Joanne H. Favors

Commissioner



LETTER OF TRANSMITTAL Honorable Claude Ramsey County Executive Hamilton County Chattanooga, Tennessee

## HAMILTON COUNTY, TENNESSEE LOUIS S. WRIGHT

Administrator of Finance

SEAL

#### Dear Sir:

Enclosed is the Comprehensive Annual Financial Report of Hamilton County, Tennessee, for the fiscal year ended June 30, 2000. This report was prepared by the County's Finance Division. Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material aspects. It is presented in a manner designed to fairly set forth the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included. A condensed report for wider distribution is available.

This report is prepared using the pyramid approach to financial reporting as prescribed by Statement 1, "Governmental Accounting and Financial Reporting Principles" promulgated by the Governmental Accounting Standards Board (GASB). This approach allows the reader to concentrate on an overview of the County's financial position or to look at the detailed information relative to the operations of each individual fund.

The report is divided into four sections: introductory, financial, single audit, and statistical. The introductory section includes this transmittal letter, the County's organizational chart, a list of government officials, and the Certificate of Achievement for

Excellence in Financial Reporting. The financial section includes the general purpose financial statements, the combining and individual fund and account group financial statements and schedules, as well as the independent auditor's report. The statistical section includes selected financial and demographic information. The single audit section includes information related to the Single Audit Act of 1984 and the U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-profit Organizations."

The report also complies with the State of Tennessee requirement that an annual audit be made of the County's records by a Certified Public Accountant, who must be responsible to the County Board of Commissioners and contracted to the State Comptroller of the Treasury. The independent auditor's report is included.

Note A to the General Purpose Financial Statements gives a complete outline of the reporting entity. You will note that, in addition to the normal County funds, this report also includes the Hamilton County School Activity, Centralized Cafeteria, "911" Emergency Com-

munication District, Water and Wastewater
Treatment Authority, and the Constitutional Officers of the County. These agencies are included based on criteria established by the Governmental Account-

ing Standards Board (GASB).



The County provides its citizens a range of services that includes, but is not limited to, education, police, ambulance, sanitation and solid waste, health and social services, culture and recreation, highways and streets, planning, courts, jails, and general administrative services.

# ECONOMIC CONDITIONS AND MAJOR INITIATIVES

Located in Southeast Tennessee, Hamilton County has emerged as the major commercial center for the seventeen-county area of Tennessee, Northwest Georgia and Northeast Alabama.

Two of the community's principal economic development agencies recently modified their missions. The boards of the Chattanooga Area Chamber of Commerce and RiverValley Partners agreed in 1998 that the responsibility for business recruitment should move to the Chamber, allowing RiverValley Partners to focus exclusively on downtown revitalization. The effects of those changes continue to be felt in the community.

In 1999 the Chamber began the Chattanooga Regional Growth Initiative, a business-led drive to engage the business community in reshaping the region's efforts to compete for high-quality jobs. Guided by the economic growth model of Dr. Michael Porter of Harvard Busi-

ness School, the Chamber is convening groups of businesses and related institutions that make up industry clusters in this area. These cluster teams identify the region's strengths and create action plans to build upon them.

The first five clusters under development include Hospitality & Tourism, Medical Devices & Health Services, Confectionery & Baked Goods, Transportation & Logistics, and Non-Automotive Vehicles. Additional clusters are slated for Floorcoverings, Rehabilitation, Insurance, and Retirement, and others will follow. The Chamber is also convening groups to develop plans to address "cross-cutting" issues that affect all clusters, including Information Technology, Neighborhood Economic Development, Workforce Development, Access

After years of anticipation, Hamilton County and the City of Chattanooga recently closed on the purchase of 940

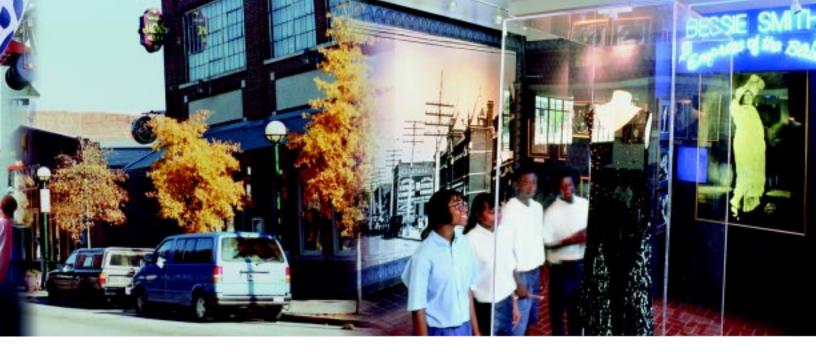
to Capital, and others.

acres of the 6,350-acre formerVolunteerArmy



Ammunition Plant. This land transferred from the U.S. Army will be marketed by the Chamber for industrial development. Eventually, the entire site will be developed for business, industrial and recreational uses.

After returning to its original name—the RiverCity Company—and its original downtown development



mission, Chattanooga's public-private downtown development agency is focusing its efforts on three major strategies: revitalizing the Central Business District, bringing residents back to downtown, and completing the community's return to the Tennessee River.

Components of these strategies include: a redesign of Market Street from ML King Boulevard to Sixth Street to enhance the attractiveness, safety and appeal of Market Street for shoppers and small businesses; redevelopment of historic commercial buildings in the eastern half of the 700 block of Market Street for a mix of urban uses; exploring the possibility of a Market Street electric shuttle route to extend north of the river; use of targeted incentives to catalyze the development of a range of new downtown housing types; the building of two new public elementary schools downtown to better serve existing residents, attract new families to downtown and provide education options to downtown workers; redevelopment of the Electric Power Board building on Market Street to housing; making Riverfront Parkway more of a pedestrian friendly urban street; and completing the final five mile segment of the Riverwalk on the south side of the river.

A rejuvenated downtown continues to attract development. Downtown revitalization began in the Ross's Landing district with the 1992 opening of the Tennessee Aquarium, which welcomed its 10 millionth visitor in August 2000. Additional civic projects followed, like the Creative Discovery Museum and the Tennessee

Aquarium IMAX 3D Theater. When the Walnut Street Bridge re-opened in 1993 as a pedestrian walkway, revitalization crossed over to the north shore of Tennessee River. The Chattanooga Area Regional Transportation Authority (CARTA) operates a free downtown shuttle using electric buses manufactured here. The CARTA parking garage near the Aquarium houses the Bijou Cinema, a first-run seven-screen Carmike theater. Now over 100 stores and restaurants have opened in the riverfront area and appraised property values have increased over 141 percent since 1990. Recent private developments in the Ross's Landing district include BellSouth Park—a new baseball stadium overlooking the Tennessee Aquarium—and two new hotels by Marriott and Hilton.

Three major construction projects on the Southside are under way, representing an investment of over \$110 million: a new executive conferencing center called The Chattanoogan will open in Spring 2001; a Development Resource Center housing all county and city agencies dealing with development is under construction next to the Warehouse Row outlet mall; and a major expansion of the Convention and Trade Center will begin in 2001. In addition, Chattanooga Neighborhood Enterprise (CNE) is building Cowart Place, a mixed-income housing development on several blocks in the Southside. Earlier redevelopment projects include a CARTA parking garage next to the Chattanooga Choo-Choo, Finley Stadium/Davenport Field and the former Grand Hotel, now renovated as apartments by CNE.

Several new developments are also under way or announced in the blocks between those two districts: a new office building is under construction at Broad Street and Martin Luther King Boulevard; the Electric Power Board of Chattanooga has announced plans to build a new headquarters and a parking garage directly across ML King Boulevard; and RiverCity Company has purchased several turn-of-the-century buildings in this area and announced plans to redevelop them.

Tourism continues to be one of the region's major industries. The Convention and Visitors Bureau spends almost \$3 million annually promoting area attractions, including the Tennessee Aquarium, Ruby Falls, Rock City, the Chattanooga Choo Choo, the Bessie Smith Hall, historical military parks, museums, river parks and commercial developments like Hamilton Place Mall and Warehouse Row (an upscale outlet mall). The Convention and Visitors Bureau also operates a multi-million dollar visitors center next to the Aquarium. Hamilton County as a destination attracts over 8 million visitors annually.

The Riverwalk continues to expand, with construction slated to begin in 2001 on the final five-mile segment that will create a continuous walkway from Ross's Landing to the Chickamauga Dam. Previously completed sections of the Riverwalk are some of the most popular parks in the community including the six-acre Coolidge Park on the north shore, which includes Walker Pavil-

ion, an antique carousel with animals hand-carved by a local carving school, and an interactive play fountain.

## RISK MANAGEMENT

Hamilton County has a comprehensive risk management program which is responsible for all functions related to risk management, including analysis of risk exposures and alternatives to risk financing, loss control, and claims administration. As a result of an analysis of the risk exposure and risk financing, the County established a self-insurance program to include all its liability exposures, including on-the-job injuries. As part of this program, resources are being placed in a separate fund (internal service fund) to meet potential losses. In addition, various risk-control techniques, such as safety inspections and defensive driving seminars, have been implemented to minimize accident-related losses.

## ENTERPRISE OPERATIONS

In an effort to comply with federal and state guidelines, management has elected to account for landfills and sanitation as an enterprise operation. Hamilton County closed its landfill in fiscal year 1998 and sold the remaining unused land to the City of Chattanooga. The Solid Waste Disposal fund will enable Hamilton County to better account for its costs to close the landfill and operate its sanitation department.

Fiscal		Special	Debt	Capital		Average
Year	General	Revenue	Service	Projects	Total	Yield
2000	\$1,696	\$596	\$57	\$2,432	\$4,781	6.04%
1999	1,242	350	282	3,773	5,647	5.28%
1998	649	400	684	3,612	5,345	4.42%
1997	962	498	626	1,377	3,463	5.89%
1996	917	481	636	1,988	4,022	4.88%

## FINANCIAL INFORMATION

Management of the government is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse. They also ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. In conjunction with the system of internal control, Hamilton County has an internal audit department as an independent appraisal unit, which reviews operations as a service to management. They perform the managerial control function by measuring and evaluating the effectiveness of other controls. This internal audit division is independent of the executive branch.

SINGLE AUDIT

As a recipient of federal, state, and county financial assistance, the government also is responsible for ensuring that an adequate internal control structure is in place to

comply with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the government.

## BUDGETING CONTROLS

Formal budgetary integration is employed as a management control

device. The budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP) except that encumbrances are treated as budgeted expenditures in the year of incurrence of the commitment to purchase. All unencumbered and unexpended appropriations lapse at year-end. The level at which expenditures may not legally exceed appropriations is the division level.

#### **CASH MANAGEMENT**

The Hamilton County Board of Commissioners has adopted an investment policy, which sets as its goal the maximizing of investment earnings, while at the same time protecting the security of the principle and maintaining liquidity to meet the cash requirements. The policy sets forth the allowable types of investment as well as the individuals responsible for making those investments. The policy also calls for a quarterly report, which is provided to the County Executive, the County Board of Commissioners, and the County Auditor.

Associated with any investment activity, there is a risk that a governmental entity will be unable to fully realize its investments. Based on this risk, the Governmental Accounting Standards Board (GASB) has taken the po-

sition that a governmental entity should disclose information concerning its investments and deposits that will enable its constituents to better assess the risks associated with investments and deposits. This information for Hamilton County has been provided based on criteria established by GASB as described in Note B to the General Purpose Financial Statements.



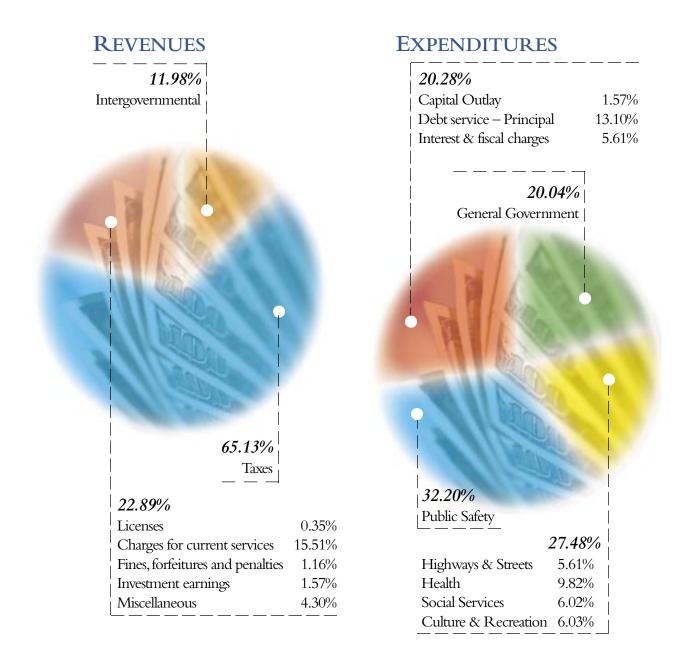
## GENERAL GOVERNMENTAL FUNCTIONS

The following schedules present a summary of General Fund, Special Revenue Funds and Debt Service Fund revenues and expenditures (expressed in thousands) for the fiscal year ended June 30, 2000, with the dollar amounts and percentages of increases or decreases in relation to the prior year.

		PERCENT	INCREASE (DECREASE)	PERCENT INCREASE
REVENUES	AMOUNT	OF TOTAL	FROM 1999	(DECREASE)
Taxes	\$ 97,160	65.13%	\$ 9,157	10.40%
Licenses	521	0.35%	(56)	(9.72%)
Intergo <mark>vern</mark> mental	17,869	11.98%	(258)	(1.42%)
Charges for current services	23,148	15.51%	2,403	11.55%
Fines, forfeitures and penalties	1,735	1.16%	(192)	(9.96%)
Investment earnings	2,349	1.57%	474	25.28%
Miscellaneous	6,414	4.30%	4,331	202.29%
E-10	1 0 m	101		
6 44 8	\$ 149,196	100.00%	\$ 15,859	
7 M M	EZA	77		
1.00 10	1384	-	INCREASE	PERCENT
100	1100	PERCENT	(DECREASE)	INCREASE
EXPENDITURES	AMOUNT	OF TOTAL	FROM 1999	(DECREASE)
CURRENT	1			
General Gove <mark>rnm</mark> ent	\$ 28,116	20.04%	\$ 2,618	10.27%
Public Safety	45,182	32.20%	5,043	12.56%
Highways & Streets	7,876	5.61%	822	7.95%
Health	13,774	9.82%	1,132	8.96%
Social Services	8,449	6.02%	464	5.82%
Culture & Recreation	8,466	6.03%	641	8.19%
Capital Outlay	2,197	1.57%	472	27.36%
		100		
DEBT SERVICE		MINE TO PERSON		
Principal	18,373	13.10%	695	3.93%
Interest & Fiscal Charges	7,870	5.61%	(618)	(7.28%)
			All Land	
	\$ 140,303	100.00%	\$ 11,269	

Analysis of revenues and expenditures shows the continued commitment of management for maintaining a sufficient level of service. The increase in revenues is paralleled by increases in the level of services provided to the citizens of Hamilton County. Most of the increase in revenues came from a steady growth in the tax base and the sale of the Hamilton County Nursing Home, proceeds of which are being used to build the new Hardy Elementary School.

## 2000 REVENUES AND EXPENDITURES



## MONTHLY EXPENDITURE IN FUND BALANCE

Showing the fund balances in terms of monthly expenditures indicates the positive financial condition of these funds and management's commitment to maintaining financial stability and the credit quality of outstanding debt. It should be pointed out, however, that these balances are not completely liquid assets and the operating expenditures do not occur evenly throughout the period.

The following presents an analysis (expressed in thousands) of the fund balances of the General, Special Revenue, and Debt Service Funds as of June 30, 2000. It should be noted that in fiscal year 1998–99, the Debt Service Tax Levy was moved into the General Fund to better comply with Federal Arbitrage regulations.

	Fund Balance	Percent of Total	Monthly Expenditures
General Fund	\$ 45,938	77.86%	\$ 7,215
Special Revenue Funds	11,623	19.70%	2,268
Debt Service Fund	1,438	2.44%	2,187
	\$ 58,999	100.00%	<b>\$</b> 11,670

### Ten year analysis of the growth in fund balance (expressed in thousands)

		Special	Debt
	General Fund	Revenue Funds	Service Fund
1991	17,712	5,814	8,924
1992	17,108	12,210	9,806
1993	19,067	15,776	12,007
1994	20,642	5,812*	14,623
1995	20,851	5,080*	15,468
1996	21,664	5,436*	14,066
1997	21,819	5,543*	17,862
1998	23,436	3,531*	17,342
1999	43,654	3,217*	619
2000	45,938	11,623*	1,438

<sup>\*</sup> Does not include any School Funds as in prior years





#### PENSION TRUST FUNDS

The vast majority of employees participate in the State of Tennessee Consolidated Retirement System (TCRS). The remaining few employees participate in three very small County administered plans. More detailed information concerning these plans can be found in Note G.

The Tennessee Consolidated Retirement System (TCRS) is an agent multiple-employer defined benefit pension plan and publicly available financial reports can be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230.

#### **DEBT ADMINISTRATION**

The ratio of long-term debt to assessed valuation and the net long-term debt per capita are used by many to indicate the debt position of a County and its ability to fund its long-term debt. The ratio of net bonded long-term debt to assessed value is 3.09% and the net bonded long-term debt per capita is \$462.77. The County's General Obligation Bonds have recently been upgraded to "Aa1" by Moody's Investors Service and "AA+" by Fitch, Inc. These ratings and the ratios below indicate a strong financial position.

#### General Long-Term Debt (in thousands)

General Obligation Bonds Outstanding	\$ 135,890	93.45%
Certificates of Participation	2,065	1.42%
Other Notes	7,455	5.13%
	145,410	
Less: Unreserved Debt Service Fund Balance	(1,438)	

Net General Long-Term Debt \$ 143,972



#### Ratio of Net Bonded Debt to Assessed Value 5% 2000 3.09% 1999 3.60% 4% 3.71% 1998 1997 4.10% 3% 1996 3.29% 1995 3.70% 2% 1994 3.97% 1993 3.51% 1% 1992 2.41% 1991 2.03% 0 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Hamilton County, Tennessee

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1999 Hillicote of Achievement for Excellence in Fin





### CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Hamilton County, Tennessee, for its Comprehensive An-

nual Financial Report for the year ended June 30, 1999.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement program requirements, and we are currently submitting it to GFOA to determine its eligibility for another certificate.

#### INDEPENDENT AUDIT

Tennessee State Law provides that the County Board of Commissioners shall designate a qualified Certified Public Accountant, who has no personal interest in the fiscal affairs of the County, to provide an annual independent audit of the accounts and other evidences of financial transactions of the County, County Executive or Administrative Board; every commission, department, office, and agency. We have complied with this requirement, and the independent auditor's

report has been included in this document.

#### ACKNOWLEDGMENTS

I would like to thank the entire staff of the Finance Division, the County Auditor's Office, and the independent auditors for their cooperation and dedication in the timely preparation of this report. I would also like to express my gratitude for the support we have received from the County Executive and the County Board of Commissioners in conducting the financial operations of the County in a sound and progressive manner.



LOUIS S. WRIGHT Administrator of Finance



ALBERT KISER

